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BOATING INDUSTRY

JULY

Dealers of the Great Lakes

Tire Market Back on Track

Do Your Store Hours Make Sense?

Readers Pick Product Favorites



**MINNETONKA
BOAT WORKS: WOW!**

BOATING INDUSTRY

FEATURES

Serving Customer Wishes: With Boats and Knishes

It may not sound like a rational combination, but Genmar's Minnetonka Boat Works is finding success mixing knishes with *Portofinos*.

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Never on Sunday ... Open on Monday

While Sunday may be a heavy traffic day at a marine dealership, are you really serving your customers' best interests by being open for business?

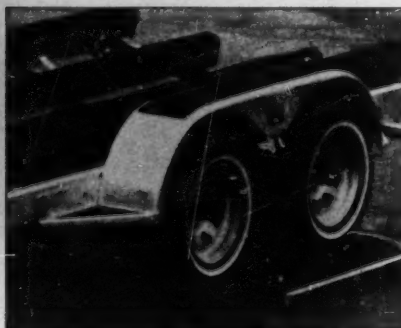
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Dealers of the Great Lakes

Despite hard economic times, dealers in the Great Lakes states are benefitting from the region's sizeable and avid boating public.

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Trailers

1988: Pleasant Challenges

Trailer manufacturers are entering the "summer of their content" as sales of both package units and stand-alones continue to climb.

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The editors are pleased to announce the 100 products that garnered the greatest number of editorial reader inquiries in *BOATING INDUSTRY* and *BOATING PRODUCT NEWS* during the past year.

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Minnetonka Boat Works in Minnesota is keeping up with the times with an exciting new marine facility.

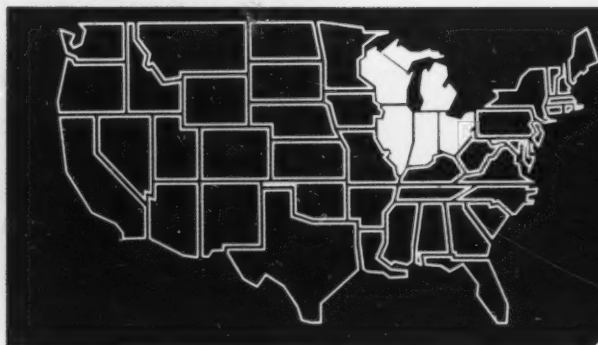
PHOTO: BOUNDAS

Dealers of the Great Lakes

The Great Lakes states have taken some economic hard knocks. Nevertheless, boating remains deeply ingrained among the region's sizeable and enthusiastic boating public.

BY JOHN DE GASPARI

The states that ring the Great Lakes—Wisconsin, Illinois, Indiana, Michigan, and Ohio—represent a richness in economic diversity that, more than any other region, has typified the U.S. as



a manufacturing and agricultural nation. In a sweeping view westward, one conjures scenes of gritty steel towns of the Ohio Valley, Detroit auto plants feverishly churning out endless lines of cars, the hustle and bustle of Chicago, a business and financial boomtown, and vast tracts of farmland in Indiana, Illinois, and Wisconsin.

It has also been an area of staggering economic transformation during the last decade as the country continues to change from a manufacturing economy to a service based one. Gradually the region's well-oiled economic machinery became obsolete: Steel plants closed their doors





GREAT LAKES DEALERS

in the face of foreign competition; automakers laid off workers in droves amid a flood of foreign imports; other manufacturing industries, citing lower energy and labor costs, relocated to the Sunbelt. In rural areas, bank foreclosures on farms became a common sight.

Yet through this economic turmoil, recreational boating appears to have fared rather well. A random telephone sampling of dealers from each state who responded to the survey indicated that, by and large, they felt that they were located in areas where the local economy was fairly healthy.

Boating is deeply ingrained in a region known for its lakes, rivers, and miles of shoreline.

● Barbara Roach, of Roach Marine and Sports, Marion, OH, reported that the local economy is struggling, adding that "it is coming back a little bit and is a little better than it was a year ago." She put local unemployment at about 11%-12%, which is higher than the national average. Marion is on the fringe of a heavy industry area, she said, and many plants have closed their doors. On the plus side, the dealer is near Columbus and Marysville, both areas of higher employment.

● Helen Lockard, of Carl Stirn's Marine, Aurora, IL, which is about 40 miles southwest of Chicago, reported that the local economy is booming. Some local factories have laid off workers, but that hasn't affected business at the dealership, she says.

● A Wisconsin boat dealer about 70 miles from Madison reported that the economy in his area is "very good." The dealer is in a rural location area and pulls customers from about a 150 mile area. He described

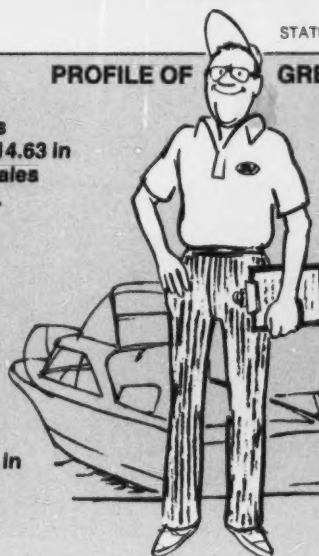
STATISTICS BY KELLI GAFFNEY

PROFILE OF GREAT LAKES DEALER

Averages
\$1,452,414.63 in
marine sales
annually.

87% have
a single
dealership

Has spent
16.3 years in
the retail
end of the
business.



73% employ a spouse,
52% offspring and
38% other relatives.

47% have attended
a four-year college,
18% a community college,
30% industry seminars
and 58% company-sponsored
seminars.

Spends \$28,243.75
on advertising
and promotion.

32% sell
to first-time
buyers.

unemployment in the area as "not too bad."

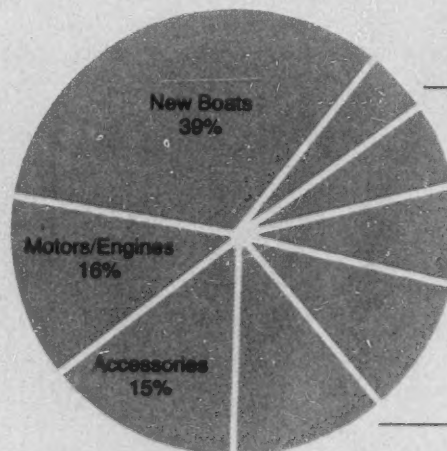
● Tom Tyler, of Ft. Wayne Marine, Ft. Wayne, IN, reported that the economy in general is not bad. "There are hot spots and there are cold spots. Periodically we lose a factory and periodically we gain one. It makes people feel good one day and bad the next." He added that the area has seen some bank mergers, which may cause rates to go up. The unemployment level in the area is "stable," he said.

● John Hatfield, of Howe Marine, Indian River, MI, said that the local economy was "very good." The dealer is in a resort-oriented community about 270 miles north of Detroit. Seasonal unemployment can hover as high as 13% during the off-

season, and declines again in summer. During the boating season, the dealership stays open 7 days a week from May through mid-September, and Hatfield says that business is up 10%-12% this season from the same time last year.

In fact, boating is deeply ingrained in the region, which is known for its lakes and rivers, in addition to miles of coastline on the Great Lakes. During 1985, Michigan ranked first as the state with the most registered boats: 716,925. Michigan, Wisconsin, Ohio, and Illinois all ranked in the top 11 states, which, together with Indiana, chalk up nearly 2 million registered boats, according to figures of the National Marine Manufacturer's Association in Chicago.

GREAT LAKES DEALER: SOURCES OF REVENUE



BEST SELLERS GREAT LAKES DEALERS

BOATS

Runabouts
Fishing Boats
Pontoons
Bass Boats
Cruisers
Cuddys

ACCESSORIES

Electronics
Safety Equipment
Recreational Equipment
Hardware
Accessories

POWER OPTIONS

Outboards
Inboard/Outboards
Inboards

LIKELY TO ADD

Fishing Boats
Cruisers
Runabouts
Pontoons
Performance Boats

The sport's popularity has translated into significant dollars. Overall, dealers throughout the five Great Lakes states averaged \$1,452,414 in annual marine sales, including products sold and services rendered. By state, Ohio, where dealers averaged \$2,169,492 in annual sales, ranked first. This figure was followed by the states of Michigan (\$1,080,106), Wisconsin (\$1,054,117), Illinois (\$868,000), and Indiana (\$836,363).

Buoyed by low fuel costs and acceptable consumer interest rates, sales have continued to climb, reported most dealers throughout the area. Overall, about 71% of dealers in the five states who responded to the BOATING INDUSTRY survey thought that revenues in 1987 would surpass those in 1986; 23% said that they would remain the same, and 6% said that they would decline. Of those, over half based their predictions on the performance of the economy.

The factors most often cited was low consumer interest rates and available financing. John Hatfield of Howe Marine feels that sales will continue to grow as long as the consumer interest rate stays below 10%. If it climbs above that rate, demand will drop. At the same time he is keeping an eye on the prime

CLOSEUP

From Washers to Boats

Thirty-two years ago Wilbur Swallen began selling household appliances out of his garage in Cincinnati, Ohio. Little did he know that three decades later he would be the president of a \$130 million a year business.

But that is not Swallen's only achievement. He also is one of a rare breed, an appliance dealer who has succeeded at a marine business as well.

Swallen's Marine, still found in Cincinnati, Ohio, is situated across the street from one of the Swallen's twelve appliance stores which are located throughout Ohio and Northern Kentucky. The marine division itself brings in about \$6 million a year; \$3 million from boat sales and \$3 million from accessory sales. The dealership ranks as the top Stratos dealer in the country and is listed among the top fifty Chris-Craft and Johnson dealerships.

The success of Swallen's marine dealership, which opened in the early '70s, has led to expansion. According to Jerry Putteet, general manager, the marine store just recently started outfitting boats and shipping them to other Swallen appliance locations throughout the two states. "The Swallens have always identified the need in the market and then they've filled it," said Putteet of his employers.

Until two years ago, when Putteet joined the organization, sales figures for the marine and appliance divisions were totalled together. Now the marine division is run separately and figures are totalled independently. "We can see that we are really profitable," explained Putteet.

Putteet feels that while the transition from selling appliances to selling boats may not have been a natural transition, it is an advantage that can't be denied.



Owner Wilbur Swallen and General Manager Jerry Putteet

"Customers recognize the Swallen name; therefore, they buy their marine products from us as well as their appliances. In addition, we generate business year-round," said Putteet. "And, since we have the appliance store across the street, while the wives are shopping, the husbands come over here. We've made a number of sales that way."

The company, specifically the marine division, has faced its share of problems though. "We did have some problems with suppliers, especially since we buy direct rather than through distributors because of our buying power," explained Putteet. "But the suppliers recognized our name and our credit rating. They know they are going to get paid. That is one of the advantages of having been in the appliance business first."

Putteet also points out that some of their local competitors do not recognize the organization as a bona fide dealership—but that problem will soon be put to rest. As Putteet put it, "They will have to recognize us with the numbers that we have."

Future plans for Swallens do not include adding any other product lines. Rather, the company plans to fine-tune their marine operation for even greater profitability. □

-Kelli Anne Gaffney



GREAT LAKES DEALERS

rate, which has begun to climb, although not yet had a significant impact on consumer financing.

Other factors cited as being important to growth are additional store openings and strong consumer demand for product. Indeed, a few marine dealers expect sales to continue to increase as long as product

Fishing boats
ranked first among
the types of craft
dealers would be most
likely to add.

remains available.

Runabouts, fishing boats, pontoons, and bass boats ranked as best sellers, which can be explained by the region's many lakes. Fishing boats ranked first among the types of craft dealers would be most likely to add, the survey said. In fact, Michigan, Wisconsin, Ohio, and Illinois each ranked within the top 10 states fished by resident fishing license holders in 1985, according to the U.S. Fish and Wildlife Service. The agency also ranked Wisconsin and Michigan first and second, respectively, as the states fished by nonresident fishing license holders in 1985.

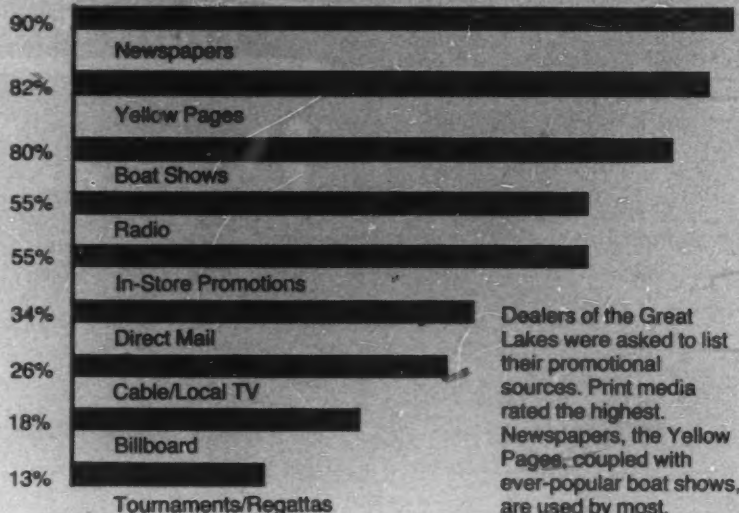
Sailboat dealers in the region gave an enthusiastic, if small, response. One Illinois sailboat dealer whose lines include Laguna, Capri, and Freedom Yachts, reported that by the end of March, his sales were already 60% ahead of last year. "Sailing is in its infancy in the midwest," wrote the dealer, adding that his customers tended to be sophisticated and quality conscious. During the next 12 months he would most likely add a 20 ft lightweight performance daysailer to his line. A Michigan sailboat dealer said that he has seen an increase in interest in sailing, and wanted to add 25 ft to 30 ft sloops to his product line in the

next 12 months.

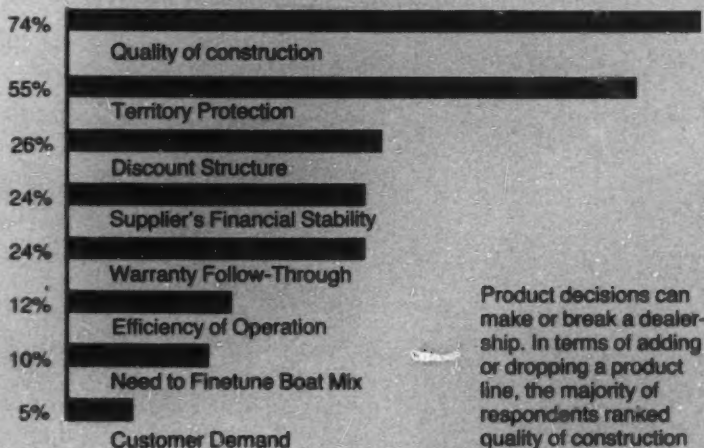
Three Ohio dealers who saw smoke on the horizon had various explanations. One dealer in the Toledo area said that sales would level off and might drop 5% due to "tax breaks, uncertainty in the oil industry, and uncertainty in the car industry." Another dealer, whose lines included bass boats, runabouts, and pontoons, said that

while units sold so far in 1987 were up over 1986, profits were down because the rigs tended to be smaller. A third Akron-based dealer of runabouts, fishing and bass boats, and day cruisers predicted that 1987 revenues would remain the same as those in 1986. He wrote that the "market shows signs of being saturated, noted by the number of '85 and '86 trade-ins, financing (is) a

GREAT LAKES DEALERS PROMOTION METHODS



GREAT LAKES DEALERS PRODUCT DECISION INFLUENCES



little more stringent, and down payments requested (are) higher."

Location near the water received a high priority with some dealers. One northern Michigan boat dealer described his location on the inland waterway system, 43 miles of inter-connecting lakes and rivers with access to the Great Lakes, as a strong attraction for recreational boaters. "It makes it a very nice area for cruising, for people that want to come in and do some reasonably

Finding adequate time and expertise to create effective ads is one problem facing dealers.

long range cruising. There's adequate marina facilities along the way so that even small boats can enjoy the waterway."

Dealers across the five states reported that on the average, 32% of their customers are first time boat buyers, reflecting a reasonably healthy number of people entering the sport.

In order to reach the public, dealers spend an average of \$28,243 per year on advertising, or nearly 2% of their annual total revenue. About 90% of the respondents advertise through newspapers, 82% advertise through the Yellow Pages, and 80% exhibit at boat shows.

One problem stated by dealers is finding the time and expertise to do effective advertising. Barbara Roach, of Roach Marine & Sports, Marion, OH, described it as her biggest problem. "That's one thing that I wish that there could be more help from the boat companies. We don't have time to put an ad together. ... We have to scrounge to find a picture with an OMC on it. We need help in that direction." Roach Marine spends about 3% of its gross on advertising; the biggest portion of that sum goes to radio, the next biggest part goes to the local newspaper, and the third biggest portion of its budget is spent on a local

CLOSEUP

Fishing for Profits

How can a marine dealer sell seven or eight boats with only a \$1500 investment? According to Bruce Buschick, part owner and sales manager of Wauconda Boats in Wauconda, IL, the route to go is sponsoring fishing tournaments.

"Between the entry fees and the logo paint jobs on the boats, it costs us about \$1500 a year and we can directly attribute six to eight boat sales each year to this type of promotion," explained Buschick. "Anytime, you can attribute that many boat sales to a \$1500 investment, it is worth it."

Seven or eight years ago, Buschick and his family re-oriented their dealership from runabouts to fishing boats. According to Buschick, the area was saturated with runabout dealers and the family-run company had to find a different niche in the marketplace.

Soon after, Buschick was approached by two fishermen looking for sponsors for their cable television fishing show. "We tried television sponsorship and found that it offered a lot of visibility. At that time, the local public could identify with the two local fishermen," said Buschick. Unfortunately, Buschick has done little cable advertising since, because the stations in the area are in a state of flux with stations being bought and sold. From that original contact, however, Buschick began sponsoring the two fishermen (who later became his employees) at local fishing tournaments run by the Chain of Lakes Bass Fisherman Association. Buschick and the two original team members handpicked six other team members.

The two team-member employees are supplied with tournament boats each year and their entry fees are paid as part of their employment contracts. The other six

members are given the opportunity to purchase new fishing boats at dealer cost. At the end of the year, team members can sell their boats for slightly more than they paid originally. Each of the tournament boats is lettered and rigged by the Wauconda dealership.

Team members are expected to attend and participate in local boat shows. According to Buschick, "People visit boat shows not only to look at the boats but also to talk about fishing."

Wearing their Wauconda hats and shirts, the fishing team members answer fishing and boating questions for local boat show consumers.

While Buschick also does some radio and newspaper advertising, he depends heavily on the fishing tournaments for exposure. "We are basically a small dealership with a small advertising budget," he explained. "If we have half a dozen boats in a tournament, that offers us a lot of visibility."

Buschick explained that a lot of non-boaters—fishermen without boats—attend these local tournaments. They team up with fishermen who have their own boats and, as Buschick explained it, "There is always the potential to sell a boat if a non-boater fishes off one of ours."

Buschick recommends this type of promotion for other dealers but only on a small scale. "Dealers should hookup with a small group similar to our association. These tournaments are for local guys, with \$40 and \$45 entry fees and \$15 a year dues. Guys that fish these tournaments are the consumers, not the ones who fish the larger tournaments."

So, for more innovative dealers like Bruce Buschick, fishing tournaments can be used to reel in the profits. □

-Kelli Anne Gaffney



GREAT LAKES DEALERS

consumer boat show, in addition to its own in-house show.

A Wisconsin dealer who advertises through television and newspapers, agreed that the lack of time and expertise were serious problems in putting together good ads. One possible source of help could come from manufacturers in the form of advice or seminars, he added. On the other hand, he feels that "each market area is individual enough that you are better off basically finishing up the ads on your own, or with the media people."

Effective advertising may be playing an increasingly important role given the stiff local competition that many dealers face. One dealer in Ft. Wayne, IN, reported that his profit margin is slim. "There are six dealers in this metropolitan area and you have to be pretty competitive. If I charge too much I won't sell the boat and if I don't charge enough I can't pay the bills," he explained. He added that a lot of his customers shop for price: "Most of them are the lazy shoppers—they use the Yellow Pages and let their fingers do the talking."

One Michigan dealer reported its profit margin was slightly lower due to a higher competition level. She added that there will be a "stronger demand for units with little or no competition due to design."

When asked about profit margins, Helen Lockard of Carl Stirn's Marine, Aurora, IL, reported "We've sharpened our pencils. What we would normally sell for early in the year, we've been selling at that margin, so we're not getting rich quick. Profit margins aren't going down, but they aren't going up."

Still, Lockard and others in the region, say that demand is high for boats despite the competition. A few competitors have opened second stores in the local area. If anything, the competition does more to promote the boating industry, Lockard added.

The boating industry in the Great Lakes states consists overwhelmingly of family-run businesses, as is the case in other areas of the country. Of

those who replied to the survey, 73% said that they employ a spouse, 52% employ offspring, and 38% say they employ other relatives. Still, that doesn't preclude the fact that many dealers find it difficult to find—and keep—qualified help. This is despite relatively high unemployment in some areas. Part of the problem stems from the difficulty of finding people with the right technical skills, as with mechanics. The seasonal nature of the business makes the dilemma worse for some dealers, who can't afford to hold onto mechanics year-round.

Says Barbara Roach of Roach Marine in Marion, OH: "When you are in the boating business you have very particular needs. It's really dif-

"There is plenty of labor, that is, bodies, but very few people trained in the marine industry."

ficult to find good employees at what we can afford to pay them." Although the area has a big labor pool, she added, many are either overqualified or underqualified.

Tom Tyler of Ft. Wayne Marine in Indiana offered a similar story: "There is plenty of labor, that is, bodies, but very few people trained in the marine industry. If I want a mechanic, I have to train him, and most of these guys don't know beans about a two-cycle outboard motor. ... That's been one of my problems. I'm the guy who wears all of the hats around here and juggles all of the balls and I don't have time to do anything." Most of the qualified marine mechanics are locked into the bigger dealers who can afford to pay them a year-round wage. Many of them have been brought up in the marine industry, he added.

Helen Lockard of Carl Stirn's Marine in Aurora, IL, agrees that it is tough to find qualified mechanics. "You can bring them in and up through the ranks, but when you need them you need them. It's pret-

ty tough to keep employed on a 12-month basis everyone that you need to make the operation run smoothly. ... We try not to, if we need help, just to run an ad, because when you are in the heat of battle you have to have someone you can count on, not someone you can't trust."

Some dealers who switch to winter sporting goods in the off-season may be better able to hold on to year-round mechanics. A Wisconsin dealer claimed that he is able to hold onto his mechanics 12 months of the year because he carries snowmobiles.

As with any other area of the country, the nation's premier boating region has inherent advantages and disadvantages for doing business. One rural Wisconsin dealer says that his major disadvantage is that he is too far away from a population center. On the other hand, he is located within about 12 miles from the third and fourth largest lakes in the state.

Other dealers pointed to the seasonal nature of the business as being something of a disadvantage, especially when compared to their counterparts in the South, who enjoy year-round boating. Finding qualified seasonal labor, especially mechanics, appears to be the biggest difficulty there. Some dealers supplement their marine line with winter sport gear, such as snow skis and snowmobiles. Others prefer to remain exclusive marine dealers. John Howe, of Howe Marine, Indian River, MI, which carries only marine products, is open for business 7 days a week during the boating season, and four days a week during the off-season. During the off-season, he refinishes old wooden boats—one of his specialties—and "shovels snow off the roof," he said.

Yet despite the inherent difficulties of running a business in the Great Lakes states—sluggish local economies, high unemployment, the seasonal nature of business, shortages of qualified labor, and rising costs—many boat dealers remained optimistic about the marine business in their areas. Most of the difficulties that they mentioned, such as finding qualified labor or rising costs, are by no means unique to the Great Lakes. □